

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st January, 2003.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and property investment and those of its subsidiaries and associates are respectively set out in notes 16 and 17 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st January, 2003 are set out in the consolidated income statement on page 19.

An interim dividend of 8 HK cents per share amounting to HK\$5,420,800 was declared payable to the shareholders during the year. The directors do not recommend the payment of a final dividend.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 54.

INVESTMENT PROPERTIES, OTHER PROPERTIES AND OTHER FIXED ASSETS

The Group revalued all of its investment properties at 31st January, 2003. The decrease on revaluation, adjusted for minority interests, which has been debited directly to the investment property revaluation reserve, amounted to HK\$183,312,359.

The directors have reviewed the recoverable amounts of the Group's land in Guam, U.S.A., by reference to the valuation conducted by an independent property valuer subsequent to the balance sheet date. As a result, the carrying value of certain land in Guam, U.S.A. has been reduced by HK\$2,896,000 which has been charged to the income statement.

Movements during the year in the investment properties, other properties, and other fixed assets of the Group and the Company are respectively set out in notes 13, 14 and 15 to the financial statements.

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MAJOR PROPERTIES

Details of the major properties of the Group at 31st January, 2003 are set out on pages 55 to 58.

SHARE CAPITAL

Particulars regarding the share capital of the Company are set out in note 23 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 24 to the financial statements.

BORROWINGS AND INTEREST CAPITALISED

Bank loans repayable within one year or on demand are classified in the balance sheet as current liabilities. A repayment analysis of bank loans is set out in note 22 to the financial statements.

No interest was capitalised by the Group during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 22% and 34% respectively of the Group's total turnover for the year. The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 13% and 36% respectively of the Group's total purchases for the year.

At no time during the year did a director, an associate of a director or a shareholder of the Company (who to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers and suppliers.

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DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Seto Chak Wah alias Szeto Chak Wah (<i>Chairman</i>)	(appointed on 3rd September, 2002)
Lee Teh Yee, William	
Kiang Chee Man, Robert	
Wong Shu Yuen	(appointed on 11th November, 2002)
Lee Wan Wah	(resigned on 11th November, 2002)
Lee An Fen	(resigned on 11th November, 2002)
Robert Horatius Bonar (alternate to Kiang Chee Man, Robert)	(resigned on 11th November, 2002)
Wong Shu Yuen (alternate to Lee Wan Wah)	(resigned on 11th November, 2002)

Non-executive directors

Lai Man Leung	(appointed on 3rd September, 2002)
Oxley Clive William, OBE, ED	(appointed on 3rd September, 2002)

Independent non-executive directors

Cheung Tze Fat, Alfred	
Lau Hak Lap	(appointed on 25th March, 2002)
Chan Kam Lun, Daniel	(resigned on 26th July, 2002)
Chow Sy Pien	(resigned on 11th November, 2002)

In accordance with the provisions of the Company's Articles of Association, Seto Chak Wah alias Szeto Chak Wah, Lee Teh Yee, William, Wong Shu Yuen, Lai Man Leung and Oxley Clive William shall retire by rotation and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office for each non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

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EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

Details of directors' emoluments and the highest paid employees are set out in note 8 to the financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors are shown on page 7.

The executive directors are closely involved in and are directly responsible for all activities of the Group. The board of directors considers that only the executive directors are regarded as members of the Group's senior management.

DIRECTORS' INTERESTS IN SHARES

As at 31st January, 2003, Mr. Lee Teh Yee, William ("Mr. William Lee") personally had beneficial interests in 33,000 shares of the Company ("Shares"). In addition, Mr. William Lee, through two private companies controlled by him, was also beneficially interested in 25,000 shares in Modern Aspac Development Company Limited ("Modern Aspac"), representing 50% of its issued share capital. Modern Aspac is a 50% owned associate of the Group which beneficially held 421,400 Shares.

During the period from 31st March, 2003 to 11th April, 2003 (both dates inclusive), Smart Extra Holdings Limited ("Smart Extra"), a company wholly owned by Mr. William Lee, acquired the Shares held personally by Mr. William Lee and other Shares. As a result of these acquisitions, Smart Extra holds 60,406,962 Shares together with, inter alia, the voting rights attached thereto in aggregate, representing approximately 89.15% of the Shares in issue and approximately 89.15% of the voting rights of the Company as at the date hereof.

Reference is made to the announcement issued by Smart Extra dated 21st May, 2003 in relation to the Offer and the Scheme Proposal (each of which is defined in the said announcement) regarding further details thereof.

Save as disclosed herein and except for shares in subsidiaries held by directors in trust for their immediate holding companies, at 31st January, 2003, none of the directors nor their associates had any interests in any securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance, and none of the directors nor their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into during the year or subsisted at the end of the year.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31st January, 2003 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

SUBSTANTIAL SHAREHOLDERS

In the light of the matters disclosed under the paragraph entitled "Directors' Interests in Shares" above, Mr. Lee Teh Yee, William has by 11th April, 2003 become, through his interest in Smart Extra Holdings Limited, the controlling shareholder of the Company, holding in aggregate approximately 89.15% of the issued share capital of the Company.

POST BALANCE SHEET EVENT

Details of a significant event occurring subsequent to the balance sheet date are set out in note 32 to the financial statements.

To deal with the allegations of certain shareholders of the Company that the properties of the Company in Guam ("Guam Properties") have been incorrectly classified in the accounts of the Company and their values understated, the Board of Directors appointed HLB Hodgson Impey Cheng (the "Independent Accountants"), a firm of independent accountants, to review and report to the Board of Directors as to whether the nature, value, classification and rental income of the Guam Properties had been properly reflected in the audited accounts of the Company for the financial years ended 31st January 1998, 1999, 2000, 2001 and 2002.

On 23rd April, 2003, the Independent Accountants submitted an executive summary together with their report both in respect of their findings on the matters as aforesaid. Copies of the executive summary together with the report were duly submitted to both The Securities and Futures Commission and The Stock Exchange of Hong Kong Limited upon receipt. A copy of the said executive summary is reproduced hereto as an Appendix, with the consent of the Independent Accountants.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board,
Seto Chak Wah alias Szeto Chak Wah
Chairman

Hong Kong, 22nd May, 2003